

## HOUSE BILL NO. 84

INTRODUCED BY C. KAUFMANN

BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT CLARIFYING THE DATA USED BY THE DEPARTMENT OF REVENUE TO CALCULATE THE PERCENTAGE GROWTH OF INFLATION-ADJUSTED MONTANA WAGE AND SALARY INCOME FOR DETERMINING WHETHER THE CLASS EIGHT PROPERTY TAX RATE IS TO BE REDUCED; AMENDING SECTION 15-6-138, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 15-6-138, MCA, is amended to read:

**"15-6-138. (Temporary) Class eight property -- description -- taxable percentage.** (1) Class eight property includes:

(a) all agricultural implements and equipment that are not exempt under 15-6-201(1)(bb);

(b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(c) all oil and gas production machinery, fixtures, equipment, including pumping units, oil field storage tanks, water storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas metering shacks, treaters, gas separators, water flood units, gas boosters, and similar equipment that is skidable, portable, or movable, tools that are not exempt under 15-6-201(1)(r), and supplies except those included in class five;

(d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors as provided in 15-6-201, and supplies except those included in class five;

(e) all goods and equipment that are intended for rent or lease, except goods and equipment that are specifically included and taxed in another class;

(f) special mobile equipment as defined in 61-1-104;

(g) furniture, fixtures, and equipment, except that specifically included in another class, used in

1 commercial establishments as defined in this section;

2 (h) x-ray and medical and dental equipment;

3 (i) citizens' band radios and mobile telephones;

4 (j) radio and television broadcasting and transmitting equipment;

5 (k) cable television systems;

6 (l) coal and ore haulers;

7 (m) theater projectors and sound equipment; and

8 (n) all other property that is not included in any other class in this part, except that property that is  
9 subject to a fee in lieu of a property tax.

10 (2) As used in this section, "coal and ore haulers" means nonhighway vehicles that exceed 18,000  
11 pounds per axle and that are primarily designed and used to transport coal, ore, or other earthen material in a  
12 mining or quarrying environment.

13 (3) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or  
14 service, wholesale, retail, or food-handling business.

15 (4) Class eight property is taxed at 3% of its market value.

16 (5) (a) If, in any year beginning with tax year 2004, the percentage growth in inflation-adjusted Montana  
17 wage and salary income is at least 2.85% from the year prior to the base year, then the tax rate for class eight  
18 property will be reduced by 1% each year until the tax rate reaches zero.

19 (b) For each tax year, the base year is the year 3 years before the applicable tax year and the target  
20 year is the year 2 years before the applicable tax year.

21 (c) The department shall calculate the percentage growth in subsection (5)(a) by October 30 of each  
22 target year by using the formula  $(W/CPI) - 1$ , where:

23 (i) W is the Montana wage and salary income for the calendar base year divided by the Montana wage  
24 and salary income for the calendar year prior to the base year; and

25 (ii) CPI is the consumer price index for the calendar base year used in subsection (5)(c)(i) divided by  
26 the consumer price index for the year prior to the most current calendar year prior to the base year used in  
27 subsection (5)(c)(i).

28 (d) For purposes of determining the percentage growth in subsection (5)(a), the department shall use  
29 the bureau of economic analysis of the United States department of commerce Montana wage and salary  
30 disbursements, fall ~~SA07~~ SA07N (state annual) for the target year wage and salary data series. If the fall state

1 annual SA07N series is not available, the department shall use the most recent wage and salary data available.  
2 If the bureau of economic analysis changes the name of the SA07N series, the department shall use the series  
3 that replaces the SA07N series.

4 (e) Inflation must be measured by the consumer price index, U.S. city average, all urban consumers  
5 (CPI-U), using the 1982-84 base of 100, as published by the bureau of labor statistics of the United States  
6 department of labor.

7 (6) The class eight property of a person or business entity that owns an aggregate of \$5,000 or less in  
8 market value of class eight property is exempt from taxation. (Repealed on occurrence of contingency--secs.  
9 27(2), 31(4), Ch. 285, L. 1999.)"

10  
11 NEW SECTION. Section 2. Effective date. [This act] is effective on passage and approval.

12  
13 NEW SECTION. Section 3. Retroactive applicability. [This act] applies retroactively, within the  
14 meaning of 1-2-109, to calculations of inflation-adjusted Montana wage and salary income growth made by the  
15 department of revenue before [the effective date of this act].

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